

Message Text

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13

ACTION XMB-04

INFO OCT-01 EUR-12 EA-10 NEA-09 ISO-00 EB-07 COME-00

CIAE-00 INR-07 NSAE-00 RSC-01 SP-02 AID-05 NSC-05

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FM AMEMBASSY KUWAIT

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INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY MANAMA

AMEMBASSY MOSCOW

AMEMBASSY MUSCAT

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

USLO PEKING

AMCONSUL HONG KONG

USMISSION OECD PARIS

UNCLAS KUWAIT 0174

BEIRUT PASS BAGHDAD

E.O. 11652: N/A

TAGS: EALR, ETRD, KU, XF, XH, XE

SUBJECT: TREND FAVORING EASTERN EUROPEAN COMMODITY EXPORTS TO
GULF IN PLACE OF FAR EASTERN SUPPLIERS

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REF: SEOUL 130 (NOTAL)

1. FOLLOWING-UP ON REFTEL REPORT THAT PRICE OF FAR EASTERN CEMENT DROPPING RAPIDLY IN GULF MARKET, EMBOFFS DISCUSSED MARKET FOR CEMENT AND OTHER BASIC BUILDING MATERIALS IN KUWAIT WITH DIRECTOR FOREIGN TRADE RELATIONS ALI AL-WAZZAN. WAZZAN CONFIRMED PRICE OF CEMENT HAD FALLEN SUBSTANTIALLY IN RECENT WEEKS ALONG WITH OTHER MATERIALS SUCH AS STEEL REINFORCING BARS. MARKET FOR PLYWOOD AND OTHER LUMBER USED IN CONSTRUCTION WAS KNOWN TO BE ALREADY IN DEPRESSED STATE DUE TO EXCESSIVE PURCHASES.

2. AL-WAZZAN CLAIMED CURRENT PRICE OF TON OF CEMENT C&F KUWAIT HAD FALLEN TO BELOW \$60 AND WAS STILL HEADING DOWNWARD. BAG OF CEMENT WHICH HAD BEEN SELLING SOME MONTHS AGO FOR KD1.5 IS NOW SELLING FOR KD1 (KD - \$3.38). AL-WAZZAN CLAIMED ROMANIA, SOVIET UNION AND OTHER EAST EUROPEAN BASIC BUILDING MATERIALS WERE ESSENTIALLY CHEAPER THAN SIMILAR MATERIALS AVAILABLE FROM FAR EAST, AND ONCE SUEZ CANAL REOPENED HE EXPECTED KUWAIT AND REST OF GULF LITTORAL STATES TO SOURCE MUCH MORE HEAVILY FROM THESE COUNTRIES.

3. COMMENT: AS ADDRESSEES MAY BE AWARE KUWAIT HAS IN RECENT YEARS IMPORTED CEMENT QUITE HEAVILY FROM KOREA AND PHILLIPINES; PLYWOOD FROM TAIWAN, MALAYSIA AND SINGAPORE, AND STEEL RODS FROM JAPAN AND PRC. WITH THE REOPENING OF THE CANAL SOME OF THIS BUSINESS CAN BE EXPECTED TO SHIFT TO EAST EUROPEAN COUNTRIES. CONSIDERING BOOMING MARKET IN GULF AREA FOR BUILDING MATERIALS IN PARTICULAR, ASSUME EASTERN EUROPEANS WILL VIGOROUSLY SEEK TAKE ADVANTAGE OF NEW TERMS OF TRADE WHICH EXPECTED RESULT FOLLOWING OPENING SUEZ CANAL. AT SAME TIME FAR EASTERN COUNTRIES PRESUMABLY WILL BE UNHAPPY AT LOSS OF SALES TO THIS MARKET, PARTICULARLY IN LIGHT OF PAYMENTS IMPLICATIONS, AND COUNTRIES LIKE KOREA AND TAIWAN WILL TRY TO BOOST SALES OF MANUFACTURED GOODS TO REGION (KUWAIT HAS RECENTLY ORDERED \$200 MILLION WORTH OF NEW SHIPS FROM KOREA).

4. INTERESTINGLY KUWAITIS ACTIVELY EXPANDING COMMERCIAL AND INVESTMENT RELATIONS WITH BOTH GROUPS. PRESENTLY MINISTER FINANCE AND OIL ATEEQI VISITING YUGOSLAVIA, ROMANIA AND HUNGARY AND LAST FALL KUWAITI/GULF INVESTMENT MISSION VISITED MALAYSIA, SINGAPORE UNCLASSIFIED

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AND INDONESIA. KUWAIT ALSO EXPANDING ITS CEMENT PRODUCTION AND SEEKING TAKE EQUITY IN A REGIONAL STEEL MILL.

5. DEPARTMENT INR MAY WISH PREPARE ANALYSIS OF LIKELY TRENDS IN TRADE FLOWS TO GULF REGION FOLLOWING OPENING SUEZ CANAL. FROM HERE APPEARS EASTERN EUROPEANS WILL BE FAVORED, PERHAPS AT EXPENSE OF FAR EASTERN STATES, PARTICULARLY THOSE DEPENDENT ON COMMODITY SALES. IMPLICATIONS FOR COMMODITY SALES OF INDUSTRIAL DEVELOPMENT

HERE SHOULD BE CONSIDERED.
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